

ASSEMBLY, No. 3583

STATE OF NEW JERSEY

220th LEGISLATURE

INTRODUCED MARCH 10, 2022

Sponsored by:

Assemblywoman ANGELA V. MCKNIGHT

District 31 (Hudson)

Assemblywoman BRITNEE N. TIMBERLAKE

District 34 (Essex and Passaic)

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

SYNOPSIS

"Homeowners' Historic Property Reinvestment Act"; allows homeowners to claim credit against gross income tax for certain costs of rehabilitating historic properties.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/2/2022)

1 AN ACT allowing homeowners to claim a credit against the gross
2 income tax for certain costs of rehabilitating historic properties,
3 supplementing Title 54A of the New Jersey Statutes.
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. This act shall be known and may be cited as the
9 "Homeowners' Historic Property Reinvestment Act."
10

11 2. As used in this act:

12 "Cost of rehabilitation" means the consideration given, valued in
13 money, whether given in money or otherwise, for the materials and
14 services which constitute the rehabilitation.

15 "Director" means the Director of the Division of Taxation in the
16 Department of the Treasury.

17 "Officer" means the State Historic Preservation Officer or the
18 official within the State designated by the Governor or by statute in
19 accordance with the provisions of chapter 3023 of Title 54, United
20 States Code (54 U.S.C. s.302301 et seq.), to act as liaison for the
21 purpose of administering historic preservation programs in the
22 State.

23 "Principal residence" means a one- or two-family homestead
24 actually and continually occupied by an individual as the
25 individual's permanent residence, as distinguished from a vacation
26 home, property owned and rented or offered for rent by the
27 individual, and other secondary real property holdings, except that
28 the permanent residence of military personnel called to active duty
29 shall be considered to be a principal residence so long as the
30 individual maintains ownership of the residence for which the credit
31 is sought.

32 "Property" means a structure, including its site improvements
33 and landscape features, assessed as real property, and used for a
34 residential purpose, residential rental purpose, commercial purpose,
35 or any combination thereof.

36 "Qualified property" means a property located in the State of
37 New Jersey that is:

38 a. (1) individually listed, or located in a district listed on the
39 National Register of Historic Places in accordance with the
40 provisions of chapter 3021 of Title 54, United States Code (54
41 U.S.C. s.302101 et seq.), or on the New Jersey Register of Historic
42 Places pursuant to P.L.1970, c.268 (C.13:1B-15.128 et seq.), or
43 individually designated, or located in a district designated, by the
44 Pinelands Commission as a historic resource of significance to the
45 Pinelands in accordance with the Pinelands comprehensive
46 management plan adopted pursuant to the "Pinelands Protection
47 Act," P.L.1979, c.111 (C.13:18A-1 et seq.), and

1 (2) if located within a district, certified by either the officer or
2 the Pinelands Commission, as appropriate, as contributing to the
3 historic significance of the district; or

4 b. (1) individually identified or registered, or located in a
5 district composed of properties identified or registered, for
6 protection as significant historic resources in accordance with
7 criteria established by a municipality in which the property or
8 district is located if the criteria for identification or registration has
9 been approved by the officer as suitable for substantially achieving
10 the purpose of preserving and rehabilitating buildings of historic
11 significance within the jurisdiction of the municipality, and

12 (2) if located within a district, certified by the officer as
13 contributing to the historic significance of the district.

14 "Rehabilitation" means the repair or reconstruction of the
15 exterior or interior of a qualified property to make an efficient
16 contemporary use possible while preserving the portions or features
17 of the property that have significant historical, architectural, and
18 cultural values.

19 "Rehabilitation of the interior of the qualified property" means
20 the repair or reconstruction of the structural or substrate
21 components and electrical, plumbing, and heating components
22 within the interior of a qualified property.

23
24 3. a. An individual, upon successful application to the officer,
25 shall be allowed a credit against the tax otherwise due pursuant to
26 the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., in
27 an amount equal to 25 percent of the cost of rehabilitation paid by
28 the individual for the rehabilitation of a qualified property that the
29 individual owns and occupies as the individual's principal residence
30 for a period of twelve consecutive months following the completion
31 of the rehabilitation, provided that: (1) the cost of rehabilitation is
32 in an amount not less than 50 percent of the equalized assessed
33 value of the structure for local real estate tax purposes as indicated
34 on the most recent property tax bill for the qualified property prior
35 to the start of the rehabilitation; and (2) for the purpose of
36 calculating the amount of the total credit, no more than 60 percent
37 of the total cost of rehabilitation shall be attributable to interior
38 rehabilitation.

39 If more than one individual owns a qualified property and at least
40 one of the owners occupies the qualified property as the owner's
41 principal residence for a period of twelve consecutive months
42 following the completion of the rehabilitation, each owner shall be
43 allowed a credit against the tax otherwise due pursuant to
44 N.J.S.54A:1-1 et seq. in an amount equal to 25 percent of the cost
45 of rehabilitation paid by each respective owner for the rehabilitation
46 of the qualified property, provided that: (1) the total cost of
47 rehabilitation of the qualified property borne by all owners is in an
48 amount not less than 50 percent of the equalized assessed value of

1 the structure for local real estate tax purposes as indicated on the
2 most recent property tax bill for the qualified property prior to the
3 start of the rehabilitation; and (2) for the purpose of calculating the
4 amount of the total credit, no more than 60 percent of the total cost
5 of rehabilitation of the qualified property borne by all owners shall
6 be attributable to interior rehabilitation.

7 b. The amount of the credit allowable under this section shall
8 be applied against the tax otherwise due pursuant to N.J.S.54A:1-1
9 et seq. for the taxable year in which the officer issues the tax credit
10 certification. The director shall determine the order in which the
11 credit allowed under this section and any other credit permitted by
12 law shall be applied against the individual's amount of tax due. If
13 the amount of the credit exceeds the individual's tax liability, that
14 amount of excess shall be considered an overpayment and shall be
15 refunded to the taxpayer in the manner provided by subsection (a)
16 of N.J.S. 54A:9-7.

17 c. The cumulative amount of tax credits granted under this
18 section for the cost of rehabilitation of a specific qualified property
19 shall not exceed \$25,000 within any ten-year period.
20

21 4. a. The officer shall, in consultation with the director,
22 promulgate rules and regulations in accordance with the
23 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
24 seq.), as the officer deems necessary to administer the provisions of
25 this act, including but not limited to rules establishing
26 administrative fees to implement the provisions of this act and the
27 setting of an annual application submission date.

28 b. For every tax credit allowed pursuant to section 3 of this act,
29 the officer shall certify to the director the total cost of
30 rehabilitation; that the property meets the definition of qualified
31 property; that the rehabilitation has been completed in substantial
32 compliance with the requirements of the Secretary of the Interior's
33 Standards for Rehabilitation pursuant to section 67.7 of Title 36,
34 Code of Federal Regulations; and, if applicable, that no more than
35 60 percent of the cost of rehabilitation which will be used to
36 calculate the credit is for the rehabilitation of the interior of the
37 qualified property. The individual shall attach the certification to
38 the tax return on which the individual claims the credit.

39 c. The total amount of credits approved by the officer pursuant
40 to this act shall not exceed \$15,000,000.
41

42 5. a. The officer, in collaboration with the director, shall adopt
43 rules for the recapture of an individual's entire or partial tax credit
44 amount allowed under this act. The rules shall require the officer to
45 notify the director of the recapture of an entire or partial tax credit
46 amount. The recapture of funds shall be subject to the State
47 Uniform Tax Procedure Law, R.S.54:48-1 et seq., and recaptured

1 funds shall be deposited in the Property Tax Relief Fund of the
2 State.

3 b. If, before the end of five full years after the completion of
4 the rehabilitation of the qualified property, an individual who has
5 been allowed a tax credit pursuant to section 3 of this act modifies
6 the architectural components of the rehabilitated qualified property
7 so that it ceases to meet the requirements for the rehabilitation of a
8 qualified property as defined in this act, then the tax liability of the
9 individual for that taxable year shall be increased by the following
10 percentage of that portion of the original tax credit amount that the
11 officer now disallows:

12 (1) 100 percent of the disallowed tax credit amount if the action
13 causing the disallowance occurs within the first full year after the
14 rehabilitation's completion;

15 (2) 80 percent of the disallowed tax credit amount if the action
16 causing the disallowance occurs between the first and second full
17 year after the rehabilitation's completion;

18 (3) 60 percent of the disallowed tax credit amount if the action
19 causing the disallowance occurs between the second and third full
20 year after the rehabilitation's completion;

21 (4) 40 percent of the disallowed tax credit amount if the action
22 causing the disallowance occurs between the third and fourth full
23 year after the rehabilitation's completion; and

24 (5) 20 percent of the disallowed tax credit amount if the action
25 causing the disallowance occurs between the fourth and fifth full
26 year after the rehabilitation's completion.

27 c. Any tax credit award that is recaptured pursuant to this
28 section shall be reallocated in succeeding years and shall not count
29 against the cap set forth in subsection c. of section 4 of this act.

30

31 6. On or before December 31 of the fourth year following the
32 effective date of this act, the officer, in consultation with the
33 director, shall prepare and submit a written report regarding the
34 number and total monetary amount of tax credits granted for the
35 rehabilitation of qualified properties pursuant to section 3 of this
36 act, the geographical distribution of the credits granted, an
37 evaluation of the effectiveness of the tax credits provided pursuant
38 to this act in promoting the rehabilitation of historic properties,
39 recommendations for administrative or legislative changes to
40 increase the effectiveness of the program, and any other information
41 that the officer or the director may deem useful or appropriate. This
42 report shall be submitted to the Governor and to the Legislature,
43 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1).

44

45 7. This act shall take effect immediately and apply to taxable
46 years beginning on or after January 1 next following the date of
47 enactment.

STATEMENT

This bill establishes the "Homeowners' Historic Property Reinvestment Act." The bill allows homeowners to claim a refundable credit against gross income tax in an amount equal to 25 percent of the homeowner's outlay for rehabilitating a historic property in this State. The credit is capped at \$25,000 per property during a ten-year period. To qualify for the credit, a property that is to be rehabilitated is required to meet certain criteria, as specified in the bill.

The bill requires a homeowner seeking a tax credit under the bill to spend no more than 60 percent of the cost of rehabilitation on interior rehabilitation and to own and occupy the qualified property as the homeowner's principal residence for twelve consecutive months following the completion of the rehabilitation. The bill requires rehabilitation expenditures to be at least 50 percent of the equalized assessed value of the structure for local real estate tax purposes as indicated on the most recent property tax bill for the property prior to the start of the rehabilitation.

The bill provides that the cumulative amount of tax credits approved cannot exceed \$15 million.

The bill requires the SHPO, in consultation with the director, to prepare and submit a written report to the Governor and the Legislature on or before December 31st of the fourth year following the bill's effective date. The reports would detail the number and total monetary amount of tax credits granted for the rehabilitation of qualified properties, the geographical distribution of the credits granted, an evaluation of the effectiveness of the tax credits in promoting the rehabilitation of historic properties, recommendations for administrative or legislative changes to increase the effectiveness of the program, and any other information that the officer or the director may deem useful or appropriate.